

Office of the
Legislative Fiscal Analyst

FY 2002 Budget Recommendations

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

Utah Department of Administrative Services
Internal Service Funds – Purchasing and General Services

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1.0 Summary: Division of Purchasing and General Services

During the 1997 General Session, Senate Bill 249 reorganized the Department of Administrative Services. The Division of Purchasing was changed to the Division of Purchasing and General Services. Utah Code (63A-2-103) directs the Division of Purchasing and General Services to maintain a central mailing service and a central store. As allowed by the law, the director has also established a central publishing service and a separate administration program.

	Analyst FY 2002 Base	Analyst FY 2002 Changes	Analyst FY 2002 Total
Financing			
Dedicated Credits - Intragovernmental Re	26,837,400		26,837,400
Total	\$26,837,400	\$0	\$26,837,400
Programs			
ISF - General Services Administration	13,418,700		13,418,700
ISF - Central Mailing	7,532,800		7,532,800
ISF - Electronic Purchasing	268,900		268,900
ISF - Publishing	5,617,000		5,617,000
Total	\$26,837,400	\$0	\$26,837,400
FTE/Other			
Total FTE	38		38
Authorized Capital Outlay	\$3,279,000	\$0	\$3,279,000
Retained Earnings	(\$324,500)	\$0	(\$324,500)
Vehicles	16	0	16

2.0 Issues

2.1 Mailing Automation Equipment

Central Mailing purchased automation equipment in Fiscal Year 1999 that promised to reduce personnel costs. So far, personnel costs have actually risen within the Central Mail program. Further information on this topic can be found in Section 3.2.

2.2 High Volume Copiers

The Division of Purchasing and General Services manages the state's publishing program. In 1998, the Division entered into an agreement to lease six high volume copiers. Since then, the Division has added another machine to bring the State's total to seven high volume copiers. Consistent with earlier concerns expressed by the Analyst, the Analyst continues to believe that the Division holds more copier capacity than is required for State business. Further discussion may be found in section 3.3.

3.0 Programs: Internal Service Funds – Purchasing

3.1 Administration

Recommendation

The Analyst is recommending the agency request.

Financing	2000 Actual	2001 Estimated	2002 Analyst	Est/Analyst Difference
Expenditures				
Personal Services	228,500	198,000	198,000	
In-State Travel	100			
Out of State Travel	300			
Current Expense	33,300	31,900	28,900	(3,000)
DP Current Expense	41,600	37,000	37,000	
DP Capital Outlay	6,400	100		(100)
Other Charges/Pass Thru	(307,600)	(269,600)	(263,900)	5,700
Total	\$2,600	(\$2,600)	\$0	\$2,600
FTE/Other				
Total FTE	3	3	3	
Retained Earnings		12,700	12,700	

Purpose

The administration program is set up to account for indirect costs in delivering the services of the other three central services programs. The functions of divisional management, budgeting, accounting, and clerical support are budgeted within this program. The programs are billed in the same proportion that their budgets bear to the total division budget. Administrative costs represent approximately 2.1 percent of total estimated revenues for FY 2001.

Authorized Capital Outlay

The Administration program is not requesting an authorization for capital outlay this year.

3.2 Central Mailing

Recommendation

The Analyst is recommending the agency request.

	2000	2001	2002	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits - Intragovernmental	7,311,500	7,452,800	7,532,800	80,000
Total	\$7,311,500	\$7,452,800	\$7,532,800	\$80,000
Expenditures				
Personal Services	1,082,300	1,236,800	1,236,800	
In-State Travel	400	300	300	
Out of State Travel	2,400	1,800	1,800	
Current Expense	5,505,100	5,844,300	5,851,000	6,700
Capital Outlay	68,700	113,900	118,400	4,500
Total	\$6,658,900	\$7,197,100	\$7,208,300	\$11,200
Profit/Loss	\$652,600	\$255,700	\$324,500	\$68,800
FTE/Other				
Total FTE		38	38	
Authorized Capital Outlay	\$309,133	\$142,363	\$140,000	(\$2,363)
Retained Earnings	\$258,300	\$514,000	\$838,600	\$324,600
Vehicles		14	14	

Purpose

State Mail provides mail services for agencies throughout the State. These services include inserting, folding, metering, tabbing, bar coding, and other postal services. The Tax Commission and Department of Human Services mail operations were consolidated with State Mail in FY 1995, creating one of the most centralized state mail operations in the nation. The automation of mail functions in a centralized facility reduces the time that agencies spend on these functions and increases overall efficiency.

State Mail Services is established to provide services in a way that minimizes costs to state agencies. Bar coding and presorting of mail allows agencies to receive maximum postal discounts. Postal discounts obtained through mail automation and consolidation are reflected in reduced rates. Mail Services also provides agencies with an effective way to process their outgoing mail stream. Collation, bursting, sorting, and inserting are all automated functions that were often performed by hand or outsourced at a much higher rate.

Automated Mailing Equipment

Central Mail purchased new equipment in FY 1999 that promised to provide significant labor savings. So far, those savings have not appeared. The equipment is used for automated sorting, but it needs mail that is properly formatted to make it functional. Central Mail must rely on agencies to properly format addresses and add bar codes so that equipment use can be maximized. Agencies have been reluctant to devote programming specialists to this problem because it would take time away from Y2K preparations. Now that Y2K problems are corrected, Central Mail can begin to work with agencies to ensure that automation is used in the most effective way possible.

*Authorized Capital
Outlay*

The Analyst recommends authorization of \$150,000 in capital outlay for FY 2001 to purchase a mechanical folder and to upgrade software that incorporates optical character reading.

3.3 Copy and Publishing Services

Recommendation

The Analyst is recommending the agency request.

	2000	2001	2002	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits - Intragovernmental	4,684,300	498,200	5,617,000	5,118,800
Total	\$4,684,300	\$498,200	\$5,617,000	\$5,118,800
Expenditures				
Personal Services	878,400	708,500	708,500	
In-State Travel	3,800	2,800	2,800	
Out of State Travel	1,800	3,300	3,300	
Current Expense	3,101,400	2,966,900	3,082,000	115,100
DP Current Expense	5,600			
Capital Outlay	1,155,900	1,277,300	1,742,500	465,200
Other Charges/Pass Thru	8,400			
Total	\$5,155,300	\$4,958,800	\$5,539,100	\$580,300
Profit/Loss	(\$471,000)	(\$4,460,600)	\$77,900	\$4,538,500
FTE/Other				
Total FTE	17	17	17	
Authorized Capital Outlay	\$1,575,427	\$1,428,062	\$3,139,000	\$1,710,938
Retained Earnings	(\$1,089,600)	(\$1,017,200)	(\$939,400)	\$77,800
Vehicles		2	2	

Purpose

Copy & Publishing Services operates a self-service copier program, several service centers, and the UDOT print shop. The program seeks to offer high quality publishing services at below market prices.

Concern: High Volume Copiers

The Division of Purchasing and General Services manages the state's publishing program. In 1998, the Division entered into an agreement to lease six high volume copiers at a cost of \$68,760 per month. The lease provides the state with 3,850,000 clicks (copies) per month, then charges \$0.004 per click over that amount. If the Division used every click as provided in the contract, the per-click cost would be 1.8 cents. However, since the state averages approximately 4.3 million impressions per month (combined) on these machines, the cost per click is closer to 1.6 cents.

The Analyst believes that the Division now holds more copier capacity than is required for State business. According to sales documents from the copier vendor, these machines are designed for usage up to 1.2 million images per month. The State's copiers averaged just over 700,000 copies per month in 1999. Even with this under-utilization, the Publishing Program operates at a cost equal to or lower than could be offered by the private sector. However, if the State were using fewer machines, the savings could be even greater.

One impediment to savings is the lack of consolidation for state copiers. Publishing houses one machine at several locations throughout Salt Lake County. High volume shops are located at the following locations:

- ◆ Cal Rampton Complex in West Valley City
- ◆ Tax Commission Building
- ◆ Cannon Health Building
- ◆ Department of Natural Resources Building
- ◆ State Capitol Complex
- ◆ Ogden Regional Center
- ◆ Heber Wells Building

Each of these machines offer network digital printing – meaning that individuals can print directly to the copier from their desktop computer. A consolidated operation housed in only two or three locations would be able to take advantage of savings in labor rates while increasing utilization. The notion that the machines need to be dispersed across the county assumes that each user needs to personally deliver hard copies to the publishing location. With network capability, users can send documents directly to the printer and proof them via fax.

The main obstacle to consolidation now, however, is that the machines are leased through December of 2003. Even if they are consolidated, the State is obligated to continue payment on the leases for three more years. There may be opportunities to sub-lease the machines to a college or local government, but that option seems remote at present. Even so, the Analyst believes that the program should seek to consolidate where possible, even if it means combining equipment in two or three centers. As this recommendation went to press, the Division negotiated an agreement with the vendor to return one machine and is now working to relocate one of the remaining five machines. The Analyst recommends the following intent language to ensure maximized savings in the Publishing program:

It is the intent of the Legislature that the Division of Purchasing and General Services consolidate Publishing operations to maximize efficiency and enhance savings opportunities with high volume copier services.

*Authorized Capital
Outlay*

The Analyst capital outlay recommendation for FY 2002 totals \$3,139,000 divided into replacement and new copier needs.

Copier Purchases	
Replacements	\$ 2,433,000
New Equipment	\$ 706,000
Recommended Outlay	\$ 3,139,000

3.4 Central Stores/Electronic Purchasing

The Analyst is recommending the agency request.

	2000	2001	2002	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits - Intragovernmenta	268,900	268,900	268,900	0
Total	\$268,900	\$268,900	\$268,900	\$0
Expenditures				
Personal Services	92,900	95,300	95,300	0
In-State Travel	600	500	500	
Out of State Travel	200	600	600	
Current Expense	91,500	87,000	86,300	(700)
Total	\$185,200	\$183,400	\$182,700	(\$700)
Profit/Loss	\$83,700	\$85,500	\$86,200	\$700
FTE/Other				
Total FTE	2	2	2	
Retained Earnings	(\$244,100)	(\$158,600)	(\$72,500)	86,100

Prior to October 1997, Central Stores was the State's outlet for office and specialty supplies. Supplies were furnished at an average markup of 22 percent rather than the 30-40 percent charged by wholesale/retail operations. Beginning October 1, 1997, Central Stores became a stockless, vendor direct operation. Instead of warehousing supplies purchased in bulk, the program use a private sector vendor to make direct deliveries and invoicing to state agencies and institutions.

Central Stores also operates a state procurement card program to cut red tape associated with acquisition of small items. This program has been very successful. The program also consolidated state personal computer purchases for all state agencies. Purchasing requested 2.25 FTE to administer the program, but never hired the extra FTE. Therefore, the analyst recommends two FTE for this program rather than the five approved for FY 2001.

4.0 Additional Information: General Services

	1998	1999	2000	2001	2002
Financing	Actual	Actual	Actual	Estimated	Analyst
Dedicated Credits - Intragovernmental Re	11,995,141	11,543,900	24,529,400	20,939,800	26,837,400
Total	\$11,995,141	\$11,543,900	\$24,529,400	\$20,939,800	\$26,837,400
Programs					
ISF - General Services Administration	222,300	259,000	12,264,700	12,719,900	13,418,700
ISF - Central Mailing	6,192,241	6,401,200	7,311,500	7,452,800	7,532,800
ISF - Electronic Purchasing	1,206,000	178,500	268,900	268,900	268,900
ISF - Publishing	4,374,600	4,705,200	4,684,300	498,200	5,617,000
Total	\$11,995,141	\$11,543,900	\$24,529,400	\$20,939,800	\$26,837,400
Expenditures					
Personal Services	1,907,900	2,106,400	4,335,700	4,279,200	4,279,200
In-State Travel	2,000	4,900	9,700	7,200	7,200
Out of State Travel	2,700	3,800	9,100	11,400	11,400
Current Expense	9,383,300	8,783,200	17,429,300	17,795,300	18,067,600
DP Current Expense	53,400	59,900	52,800	37,000	37,000
DP Capital Outlay			6,400	100	
Capital Outlay			2,449,200	2,782,400	3,721,800
Other Charges/Pass Thru	12,000	10,100	(290,800)	(269,600)	(263,900)
Depreciation	995,700	1,063,300			
Total	\$12,357,000	\$12,031,600	\$24,001,400	\$24,643,000	\$25,860,300
Profit/Loss	(\$361,859)	(\$487,700)	\$528,000	(\$3,703,200)	\$977,100
FTE/Other					
Total FTE	58	60	22	60	60
Authorized Capital Outlay	\$1,546,200	\$1,884,500	\$1,884,560	\$1,570,425	\$3,279,000
Retained Earnings	(\$652,200)	(\$1,141,800)	(\$1,065,300)	(\$649,100)	(\$160,600)
Vehicles	0	0	0	16	16